

## SENATE BILL NO. 482

INTRODUCED BY K. TOOLE

A BILL FOR AN ACT ENTITLED: "AN ACT PROVIDING A CODE OF CORPORATE RESPONSIBILITY TO THE PUBLIC; INCLUDING IN THE DUTIES OF DIRECTORS AND OFFICERS OF CORPORATIONS A RESPONSIBILITY TO AVOID DAMAGE TO THE PUBLIC HEALTH OR SAFETY, TO THE WELFARE OF THE COMMUNITIES IN WHICH THE CORPORATION OPERATES, TO THE DIGNITY OF THE CORPORATION'S EMPLOYEES, TO HUMAN RIGHTS, AND TO THE ENVIRONMENT; AND AMENDING SECTIONS 35-1-418 AND 35-1-443, MCA."

WHEREAS, directors and officers of corporations formed under Title 35, chapter 1, are required by 35-1-418 and 35-1-443, MCA, to discharge their duties in the best interests of the corporations and their shareholders and in good faith; and

WHEREAS, this requirement may restrict directors and officers from managing corporations in a manner that fully respects the public interest; and

WHEREAS, the Legislature believes that large corporations formed under the laws of this state should safeguard and have due respect for the public health and safety, the welfare of the communities in which the corporations operate, the dignity of employees, human rights, and the environment; and

WHEREAS, it is the intent of the Legislature to expand the duties of corporate directors and officers to require that the pursuit of profit by corporations formed under Title 35, chapter 1, no longer occurs at the expense of the public health and safety, the welfare of the communities in which the corporations operate, the dignity of employees, human rights, and the environment.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

**Section 1.** Section 35-1-418, MCA, is amended to read:

**"35-1-418. General standards for directors.** (1) A director shall discharge his the duties ~~as~~ of a director, including the ~~director's~~ duties as a member of a committee:

(a) in good faith;

(b) with the care an ordinarily prudent person in a similar position would exercise under similar

1 circumstances; ~~and~~

2 (c) in a manner the director reasonably believes to be in the best interests of the corporation; and

3 (d) in a manner that does not adversely affect the public health or safety, damage the welfare of the  
4 communities in which the corporation operates, violate the dignity of the corporation's employees, violate human  
5 rights, or cause damage to the environment.

6 (2) In discharging duties, a director is entitled to rely on information, opinions, reports, or statements,  
7 including financial statements and other financial data, if prepared or presented by:

8 (a) one or more officers or employees of the corporation whom the director reasonably believes to be  
9 reliable and competent in the matters presented;

10 (b) attorneys, public accountants, or other persons with regard to matters the director reasonably  
11 believes are within the person's professional or expert competence; or

12 (c) a committee of the board of directors of which the director is not a member if the director reasonably  
13 believes the committee merits confidence.

14 (3) A director is not acting in good faith if the director has knowledge concerning the matter in question  
15 that makes reliance otherwise permitted by subsection (2) unwarranted.

16 (4) A director is not liable for any action taken as a director or for any failure to take any action if ~~he~~ the  
17 director performed the duties of the director's office in compliance with this section."

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19 **Section 2.** Section 35-1-443, MCA, is amended to read:

20 **"35-1-443. Standards of conduct for officers.** (1) An officer with discretionary authority shall discharge  
21 ~~his~~ duties under that authority:

22 (a) in good faith;

23 (b) with the care an ordinarily prudent person in a similar position would exercise under similar  
24 circumstances; ~~and~~

25 (c) in a manner the officer reasonably believes to be in the best interests of the corporation; and

26 (d) in a manner that does not adversely affect the public health or safety, damage the welfare of the  
27 communities in which the corporation operates, violate the dignity of the corporation's employees, violate human  
28 rights, or cause damage to the environment.

29 (2) In discharging ~~his~~ the officer's duties, an officer is entitled to rely on information, opinions, reports,  
30 or statements, including financial statements and other financial data, if prepared or presented by:

1 (a) one or more officers or employees of the corporation whom the officer reasonably believes to be  
2 reliable and competent in the matters presented; or

3 (b) attorneys, public accountants, or other persons as to matters the officer reasonably believes are  
4 within the person's professional or expert competence.

5 (3) An officer is not acting in good faith if the officer has knowledge concerning the matter in question  
6 that makes reliance otherwise permitted by subsection (2) unwarranted.

7 (4) An officer is not liable for any action taken as an officer or for any failure to take any action if the  
8 officer performed the duties of his office in compliance with this section."

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